

# **Testimony of State Representative Steve Wieckert**

## **Assembly Bill 729 – Healthcare Transparency** *Assembly Committee on Small Business* *Room 415 Northwest – February 12, 2008*

Good morning Chairman Moulton and committee members. I am pleased to come before you today to discuss Assembly Bill 729, Healthcare Transparency.

This legislation would allow consumers to know the price of all costs of their medical treatment and related healthcare before they receive them. This concept is often called healthcare transparency.

Many of us believe knowing of the costs of healthcare is absolutely vital to restoring free market competitive principles to the world of healthcare in order to fix a broken industry which is so fundamental to the quality of life of all Wisconsin citizens.

Knowing the cost of healthcare services is a very basic, major step forward in moving toward affordable healthcare, clearly one of the most important challenges facing Wisconsin citizens today.

Appleton, which I represent, has really been at the center for pricing and quality healthcare information reforms. Several of my constituents are chairmen of statewide groups involved in healthcare transparency. They have repeatedly encouraged me to become involved in this area.

This legislation is a good place to start. Sen. Jim Sullivan has introduced this identical bill in the Senate as SB 337.

A similar version of this legislation has already been enacted in Minnesota.

Thank you. At this time I would be happy to answer any questions the committee may have.



February 12, 2008

To: The Assembly Committee on Small Business

From: Gail Sumi, State Issues Advocacy Director – 608-286-6307

Re: Assembly Bill 729, related to Health Care cost transparency

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AARP Wisconsin supports the concept of increased transparency in our health care system. We want to thank Representative Wieckert and Senator Sullivan for their interest in promoting greater accountability in health care through transparency. Cost is a key element that consumers consider when they make health care decisions. Ideally, information on quality will be available as well so that consumers can determine “value” by being able to factor both cost and quality into their decisions—as opposed to making decisions on cost alone (which we think can lead to poor decisions).

We also support publishing Medicaid and Medicare reimbursement rates in order to help people understand the cost of their care. We support DHFS and the Wisconsin Collaborative for Quality’s involvement in helping to make the information as relevant and consumer friendly as possible. There is research evidence that indicates that accessible formats reduce the cognitive burden of using information with the result that people are more likely to use it. Forfeitures and penalties for non-compliance are also important to the proposal’s efficacy.

A meaningful definition of cost is also vital in order to make the data useful for consumers. While “median billed charge,” as defined by the bill may be more useful than “usual and customary” it still may not reflect what is actually paid. In addition the bill still requires consumers to go through a two step cumbersome process.

We understand that this proposal represents a compromise among all of the stakeholders. Ideally the legislation would require:

That cost information to be paired with information about provider quality. While cost is clearly an important criterion for consumers in decision making, information on quality is necessary to help people make decisions that are informed by complete information. Too often, people may conclude that something more expensive is better. On the other hand, low cost alone is not sufficient to drive decision making because it could indicate a failure to provide all necessary care. What we want to aim for is a system that allows a consumer to identify high performing, efficient doctors, hospitals, etc. For that, we need quality and cost information.

In addition, ideally, there would be a source of published information that is standardized so that consumers can make apples to apples comparisons. This information should be provided in consumer-friendly formats and be available on a public web site so that it is accessible to all and used in a variety of ways. We strongly urge you to make provisions in this proposal to

ensure that the public is made aware of the existence of the information and how they can access it. Under the bill the burden is on the consumer to find the information.

AARP is convinced that there is value to publishing information and making it publicly available whether or not consumers actually use it for decisions. We know that providers change behavior when their performance is reported publicly. Of course, we hope consumers will use the information as well, which speaks to the need to present it in accessible formats.

The next question then is whether providing the information will put downward pressure on cost. We believe that shining a light on performance will incentivize "doing the right thing at the right time." It can help identify providers who perform well and efficiently. This should help to eliminate wasteful services and assure better care—strategies that will help to drive down costs.

AARP has been working with the National Partnership for Women and Families and other consumer organizations in support of health care transparency. Attached is an issue brief the Partnership released during AARP Wisconsin's Health Care Reform Awareness Month in May of 2007. The Partnership emphasized the benefits of providing quality data.

Again, we know this proposal is a compromise. We believe it could be strengthened and hope this will occur without undue delay. In the interim, AARP asks that you support AB 729 and that you not amend the bill in ways that will weaken it.

Thank you for your consideration.

May 2007

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AARP Wisconsin  
Health Care Reform Awareness Month  
May 14, 2007

## Moving Forward on Health Care – Improving Quality is Key

### *The Health Care Quality Crisis*

Nearly 100,000 Americans die every year from preventable medical errors in hospitals, and thousands more are injured and disabled. Two million people develop infections each year in hospitals and approximately 90,000 people die as a result. Research has documented significant *underuse*, *overuse*, and *misuse* of clinically effective treatments, as well as unexplained variations in treatment patterns in certain demographic groups and across the country. The result of all of these quality deficiencies is that today, Americans have only a *50/50 chance* of getting the right care at the right time – even after adjustment for race, education, and insurance status.

These “quality gaps” represent a failure to deliver care in accordance with established, evidence-based clinical guidelines. Consumers and employers share the enormous human and financial costs of this failure. Patients endure pain, suffering, disability and sometimes death as a result of poor quality care. Employers shoulder a large and growing portion of the total annual spending on health care in the United States - more than 1.8 trillion – with little evidence that these expenditures are producing better outcomes. Further, a 2006 report by the National Committee for Quality Assurance estimated that nationally, poor quality care leads to 64.7 million avoidable sick days and \$10.6 billion in lost productivity.

Unfortunately, our health care system rewards the very things that drive up health care costs and undermine quality. Providers are rewarded for delivering a high volume of procedures and services, regardless of whether those procedures and services are necessary or appropriate. Far too often, the delivery of care is influenced as much by financial incentives as it is by scientific evidence. And we have a system that values expensive interventions over the basic primary and preventive care that keeps people from getting sick in the first place.

Some researchers estimate that nationally, up to 30% of health care dollars are wasted on poor quality care – money that would be better spent on extending health care coverage to those in need. Here in Wisconsin, Governor Doyle stated recently that \$6 billion Wisconsin health care dollars are wasted annually on poor quality care. Further, Wisconsin’s metropolitan areas have the highest physician costs in the country. (over)

According to a report by the Government Accountability Office, which looked at physician costs in 319 metro areas nationwide, eight of the highest cost areas were in Wisconsin. No state came close to matching Wisconsin's concentration at the top of the list. But there is no evidence that patients in Wisconsin are faring better than patients in other parts of the country who are treated less expensively.

### ***Improving Quality and Decreasing Costs by Measuring and Publicly Reporting on Health Care and by Reforming the Way We Pay for Care***

The good news is that there are proven ways to improve quality. Research clearly shows that when you objectively measure the performance of doctors, hospitals, and other providers, the care they provide improves. And when the results are reported to the public, the improvements are even more dramatic. A 2005 study of WI hospitals demonstrated that hospitals whose performance was publicly reported improved *significantly* over hospitals whose performance was not made public. For example, the performance of hospitals that were found to have "worse than expected" obstetrical scores was measured twice to determine whether public reporting had an impact on quality improvement. The findings were striking: 88% of hospitals that publicly reported their initial performance scores showed improved performance, compared to less than 50% that did not publicly report their scores.

Measuring and publicly reporting on the performance of health care providers also gives consumers the information they need to make more informed health care choices and increases the transparency and accountability of the health care system. Today we can learn more about the quality of a toaster than we can about our hospitals and doctors – and this is unacceptable. Consumers should have greater access to information that allows them to compare care across providers and take more control of their healthcare decision-making.

We also need to restructure the way we pay for care, to ensure that we encourage and reward the delivery of the right care, at the right time, for the right reason, and at the right price.

### ***Action Needed in Wisconsin***

Wisconsin leads most states in publicly reporting of quality information, and physician groups, hospitals, employers, and health care purchasing organizations are working in collaboration to implement quality improvement efforts. Organizations working on quality improvement are also recognizing the need to include the consumer perspective in their efforts, and consumers and consumer advocates are increasingly engaged in quality improvement initiatives. These accomplishments, along with the Governor's commitment to a fully integrated, statewide electronic health information network, place the state in an excellent position to make significant improvements in health care quality and expand health care coverage while also controlling costs. But we will only be able to achieve universal coverage for all Wisconsinites if we take steps to improve the transparency and accountability of the health care system and bring our costs under control.

*Source: National Partnership for Women and Families*

*For more information contact:  
Gail Sumi, State Issues Advocacy Director,  
at 286-6307 or [gsumi@aarp.org](mailto:gsumi@aarp.org)*

# *Wisconsin Association of Health Plans*

Testimony of

Nancy J. Wenzel, CEO, Wisconsin Association of Health Plans,

Before the

Assembly Committee on Small Business

February 12, 2008

Thank you for providing the Wisconsin Association of Health Plans the opportunity to comment on health care cost transparency. **The Association consists of 17 member health plans directly serving 1.3 million Wisconsin citizens through commercial, Medicaid and Medicare products.** Combined with their affiliated companies, our members serve more than 3 million Wisconsin citizens and provide 70 percent of all Wisconsin health care coverage by premium dollars.

On a broader scale, our members are part of an industry in Wisconsin that is estimated to directly employ more than 12,000 workers, creating a payroll of nearly \$557 million. As many as 18,000 additional Wisconsin workers are employed in jobs dependent on the health insurance industry for at least a portion of their income.

**Wisconsin health plans support making health care quality and costs more transparent to consumers and group purchasers.**

Health care cost and quality information, if presented in a way that is most understandable for consumers, can engage consumers in making value-based health care decisions. That is the reason all our member health plans publish and report information describing the quality of health care services arranged through their plans. Additionally, many of our members have already invested heavily in processes and tools that present consumer-focused cost information, and more are preparing to do the same.

**We believe any proposal designed to increase health care cost transparency should provide a broad framework that allows insurers and providers to continue developing best practices in presenting cost and quality information.** Working with consumers and group purchasers, health plans can determine the best approach to engaging consumers with clear, concise and usable information. **Overly prescriptive legislation, particularly at this early stage in the development of health care transparency, will stifle innovation and likely confuse the very consumers it is intended to engage, potentially reducing the effectiveness of transparency efforts.**

We appreciate all the time and energy that Representatives Wieckert and Moulton, Senator Sullivan and their staff members have committed to working with interested parties to craft a proposal that meets consumers' needs. **We believe Assembly Substitute Amendment 1 to Assembly Bill 729 strikes the right information balance and will effectively advance health care cost transparency.**

We believe, for example, that the most useful cost information for health plans to provide a consumer, before a service, is an estimate of the out-of-pocket cost for a specific procedure from a specific provider.

**In order for insurers to provide a good faith estimate of an insured's out-of-pocket cost for a particular service, the insurer needs specific information about the service to be provided.** The better and more complete the information, the more precise the estimate can be. The necessary information includes:

- The name of the provider providing the service;
- The facility at which the service will be provided;
- The date the service will be provided;
- The provider's estimate of the charge for the service;
- The Current Procedural Terminology code of the American Medical Association or Current Dental Terminology code from the American Dental Association, from the provider, for the procedure to be provided.

**We look forward to working with you to enact a legislative framework that is responsive to the needs of consumers while allowing the market to thrive. But with or without a legislative directive, members of the Wisconsin Association of Health Plans are committed to continually improving health care cost and quality transparency in the market.**

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## **WDA Testimony in on AB 729 Disclosure of Information by Health Care Providers**

**Dr. Monica Hebl, WDA President  
Assembly Committee on Small Business  
Public Hearing - Tuesday, February 12, 2008 - 10:00 AM  
Room 415 Northwest**

Good morning, Chairman Moulton and members of the Assembly Small Business Committee. My name is Dr. Monica Hebl. I am a general dentist who practices in Milwaukee and I currently serve as the president of the Wisconsin Dental Association (WDA). As one of just two dentists in my practice, I am also a small business owner and I appreciate the work this Committee does to ensure that small businesses are allowed to grow and expand without adding more government burdens on us. More specifically, I appreciate the opportunity to come and testify on AB 729 relating to transparency of health care cost information to patients.

First, I wish to thank Sen. Sullivan and Nicole on his staff for presenting the senate version of this bill to us very early in the process and allowing us to weigh in on the proposal prior to introduction. I would also like to thank your office, Chairman Moulton, and the office of Rep. Wieckert for sharing with us the substitute amendment that was just introduced yesterday. It is on the substitute amendment that our testimony will be directed. The open manner in which all authors of this bill have provided us with their intentions and sought our input has been greatly appreciated.

As many of you may have realized through your own personal experiences with the dentist, the profession of dentistry is more consumer-driven than other sectors of health care and, as a whole, we support the concept of greater transparency in the entire health care market. As both providers of dental care and small business owners who struggle to provide health care coverage for our employees, we have a dual interest in this proposal. Our goal in communicating with you is to make sure that the transparency requirements for dental offices are drafted in a manner that does not create onerous paperwork requirements.

It is important to note that 80% of all dentists are general dentists whereas only 20% are specialists – this is just the reverse of the medical model where 80% are specialty physicians and only 20% are primary care providers. As a result of the low percentage of specialists in dentistry, the vast majority of dental services are performed by general dentists. We believe this helps to maintain continuity of care and along with our focus on prevention also helps contain costs. In dentistry, a dentist conducts an exam and other diagnostic procedures (x-rays, etc.) that will be used by the dentist to recommend specific procedures to the patient and each of these procedures has a procedure code, dental nomenclature and a description. It is routine for the dentist to share charges for



the procedures being recommended well in advance to performing any actual services. The patient and dentist then consult and determine the priority of the procedures; most dental patients are heavily involved in the decisions involving their oral health care and are usually very aware of the specific costs. This awareness of cost is due to the fact that as many as 50% of all dental patients pay for their services entirely out of pocket and for those with dental benefit coverage, they also experience out-of-pocket expenses for services that are beyond the routine exam and preventive care.

With regards to the Assembly Substitute Amendment 1 for AB 729, the WDA does have one technical concern that we would like to bring to your attention. In section 146.903(2)(a)2 found at the top of page 5, we would recommend the bill be amended to read... "or the appropriate code under the Current Dental Terminology of the American Dental Association". This language appears correctly in the insurer disclosure requirements (see language at the bottom of page nine) but does not appear to have been included in the provider disclosure requirements. As you might anticipate, the vast majority of dental procedures are not billable using medical codes so if this change is not made, it would be very difficult for the bill to be of much service for most dental patients. We also had two very specific concerns regarding the original draft of AB 729 but those concerns appear to have been addressed by the substitute amendment. If, however, the substitute amendment does not pass and the original bill draft moves forward, those WDA concerns would still exist.

The WDA may be willing to support this proposal but given the rather recent introduction of the substitute amendment, our board has not had a full opportunity to review the bill language in enough detail to feel confident in issuing a statement of support. As a whole, the WDA supports greater transparency and we believe the state, the providers and insurance companies should all play a part in making this happen. We believe the substitute amendment is on the right track and has addressed our original concerns regarding excessive paperwork but we prefer to withhold our formal support until we have time to ensure the version of the bill that moves forward has received a thorough review by our board of trustees. Thank you for your time and attention and I'd be happy to answer any questi



# Wisconsin Medical Society

Your Doctor. Your Health.

TO: Assembly Committee on Small Business  
Representative Terry Moulton, Chair

FROM: Mark Grapentine, JD – Senior Vice President, Government Relations  
Jeremy Levin – Government Relations Specialist

DATE: February 12, 2008

RE: Society informational testimony on Assembly Bill 729 – Cost Transparency

On behalf of more than 11,000 members statewide, the Wisconsin Medical Society thanks you for this opportunity to share our thoughts on Assembly Bill 729, relating to health care price transparency.

## **Transparency Overall**

The decision to register for information only on the bill as currently drafted was reached with difficulty, as the Society's members have concerns with the legislation before you. Society physicians from across the state wish to make one point very clear: the best patient is an informed patient, and the Society supports transparency. Patients need more than cost information, however – for transparency to be effective, it must encompass quality as well; a combination of cost **and** quality transparency leads to what the Society believes is needed: the capability to assess health care value.

Transparency regarding the costs of health care-related items is certainly needed. However, cost transparency on its own may not accomplish the laudable goals the bill's authors express. While a substitute amendment (LRBs0265/1) to the original bill shows great improvement over the original, requirements in the substitute amendment could impose onerous new administrative mandates for physicians and their staffs. While we believe that transparency can be within the public interest, this does not end the discussion. Cost transparency standing alone must be weighed against those additional burdens to determine if the health care system benefits overall. While we are still discerning the administrative effects of this bill, our preliminary calculations at this time point toward too much additional administrative burden for physicians resulting in too little helpful information for the patient.

## **Concerns Specific to AB 729's Substitute Amendment (LRBs0265/1)**

Some concerns with the original AB 729 have been removed via the substitute amendment (most notably the requirement that any disclosure include Medicaid and Medicare reimbursement rates). On February 8, the Society's Council on Legislation, made up of physicians from a variety of specialties from around the state, reviewed three versions of transparency-related legislation currently before the Legislature, including a previous version of the substitute amendment for AB 729. Council members cited certain concerns:

- That the information mandates to be provided to the patient would increase the administrative burden on clinics and physicians. Maintaining a cost list of 25 DHFS-specified services, tests, or procedures that could change annually is no small task. And while provided a “reasonable time” to provide the median billed charges and CPT codes for any services, etc., a potential patient requests, fulfilling such requests does not come without additional administrative costs.
- That this increased administrative burden would not be offset by information useful to the patient. This is a concern in two particular areas: first, a patient may request cost information for services, etc., that eventually turn out to be nothing related to the patient’s needed treatment. Second, requiring the DHFS-specified 25 services, etc., be linked to “presenting conditions” is far too simplistic. For example, a patient could present to a clinic with a chronic cough. Should a cost estimate be provided when the physician has not yet determined if the patient has a common cold, bronchitis or lung cancer? Forcing estimates of the cost of care before a condition is diagnosed raises serious concerns.
- That patients receiving cost information may make decisions the authors may not intend due to a lack of information about quality. Patients with the ability to choose who will provide a specific service after “shopping around” may actually choose the more expensive option, believing the adage “you get what you pay for.” In a bill rooted in the valid belief that empowering the patient will help control health care costs, this potential certainly runs counter to intent.
- The \$500 “administrative forfeiture” is unnecessary and potentially a nightmare trip into government’s vast abyss. How will DHFS determine when a forfeiture is justified? Does the legislature really wish to promote more of a burden on the division of hearings and appeals? Should the attorney general’s office really be bothered with determining whether or not a fine has been paid? Government levying fines on physicians or their staffs working to provide the best health care possible to patients is a misuse of power; this provision should be abandoned.

**The Wisconsin Medical Society is Committed to Help Determining Health Care Value**

The Society is dedicated to helping find a path toward “value transparency,” and is already involved with numerous entities such as the Wisconsin Health Information Organization (WHIO), the Collaborative on Healthcare Quality and the Society’s Physician Cabinet to help Wisconsin measure value. We would readily accept any expertise the state can offer. That said, it is important that policymakers and other stakeholders have further discussions on whether legislation is actually helpful in this area and to determine the best strategy for assisting the patient in accessing useful information.

Thank you again for this opportunity to provide the Society’s opinions on AB 729.



**Wisconsin**

**Statement Before the  
Assembly Committee on Small Business**

**By**

**Bill G. Smith  
State Director  
National Federation of Independent Business  
Wisconsin Chapter**

**Tuesday, February 12, 2008  
AB 729**

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Mr. Chair, and members of the Committee, thank you for the opportunity to make some brief comments on behalf of the more than 11,000 member firms of NFIB/Wisconsin.

Due to escalating health-insurance costs, consumers of health-care services are increasingly asked to be personally responsible for the utilization and cost of services by increased co-pays or higher deductibles. Today's consumers have little access to data about their health-care professionals, such as outcome data, malpractice and/or insurance settlement awards and pricing information. An important part of the consumer driven health care market is meaningful disclosure of prices charged by medical providers. In the current market, health care providers often charge different fees for the same service, depending on their agreements with insurers, rather than the actual cost of the procedure.

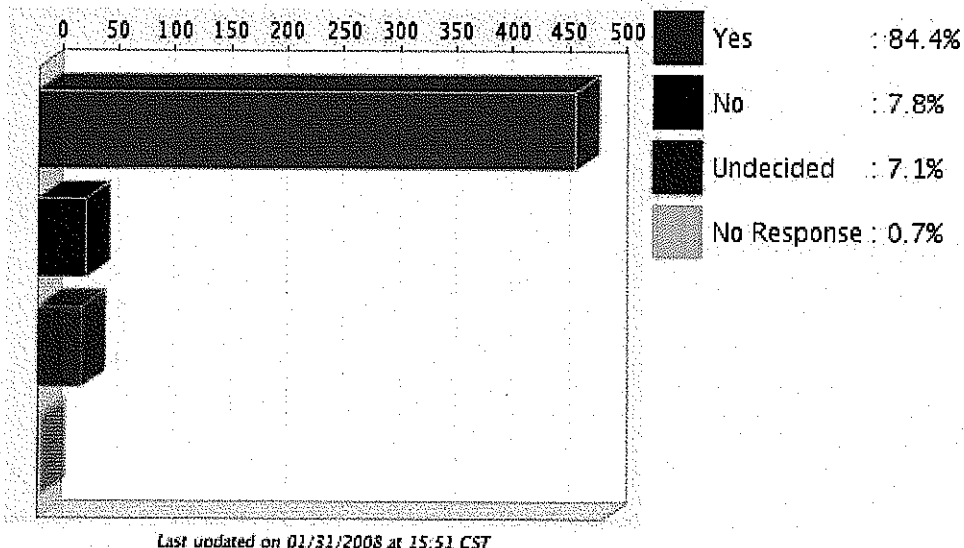
This lack of information on health care providers is anti-consumer. Health care services are among the most important services provided in the marketplace, yet consumers are unable to find reliable information about the quality of their health care and the changes for health-related supplies and services. As we moved toward a more consumer driven health care purchasing system, and as individuals become responsible for a greater share of their health care costs, the need for easy-to-understand, accurate pricing information is critical.

Simply stated, a consumer driven competitive market will not happen without effective price disclosure. The transparency of health care prices is a key component of more affordable health care, and it is a reform strongly endorsed by 84% of our members, according to an NFIB 2008 member survey study.

Thank you.

## NFIB/WISCONSIN 2008 MEMBER BALLOT SURVEY RESULTS

**Question 1: Should Wisconsin's health-care providers be required to disclose to patients the actual cost of medical procedures?**



**Background:** Due to escalating health-insurance costs, consumers of health-care services are increasingly asked to be personally responsible for the utilization and cost of services by increased co-pays or higher deductibles. Today's consumers have little access to data about their health-care professionals, such as outcome data, malpractice and/or insurance settlement awards and pricing information. An important part of the consumer driven health care market is meaningful disclosure of prices charged by medical providers. In the current market, health care providers often charge different fees for the same service, depending on their agreements with insurers, rather than the actual cost of the procedure.



Employer Health Care Alliance Cooperative

## Testimony Before the Assembly Committee on Small Business in Support of Assembly Bill 729

*By Cheryl DeMars, CEO*

*Employer Health Care Alliance Cooperative (The Alliance)*

*Tuesday, February 12, 2008*

I am Cheryl DeMars, CEO of The Alliance. We are an employer-owned and directed not-for-profit health care purchasing cooperative with 160 employer members from Wisconsin. On behalf of the employers who belong to our Cooperative and their 83,000 employees and family members, we pursue a mission of value based health care purchasing; that is, buying health care on the basis of both cost and quality. We use our role as employers who buy over \$385 million in health care services each year to work toward health care system that recognizes and rewards high quality, cost effective, patient-centered care.

For the past 10 years, The Alliance has published quality information for our members through our *QualityCounts*<sup>TM</sup> report and Web site. During the last two years, we have added cost information as well to begin to create a picture of health care value.

We serve on state and national boards and committees dedicated to creating, implementing, and reporting measures of quality and cost to help consumers make more informed decisions and to help providers understand and improve the quality and efficiency of the care they deliver. Our work in this area, in addition to our employer-owned, not-for-profit business model, make us a good resource for legislators looking to help consumers by making health care cost and quality transparent.

I'm here today to share our perspectives on the power of public disclosure of quality and cost information in general, and on AB 729 specifically.

### **Importance of public disclosure**

Publicly available information on meaningful measures of health care cost and quality is critically important to driving the transformation needed in health care today. In fact, transparency is a prerequisite of achieving the twin goals of helping consumers make more informed decisions while giving providers the information and incentives they need to improve the cost effectiveness of the care they deliver.

Public disclosure is important because, there are big differences in the cost and quality of health care in Wisconsin:

- **There is a two-fold difference in risk-adjusted mortality rates in Wisconsin hospitals** — that means a patient has double the chance of dying in the worst performing hospital than in the best performing hospital.
- **There is also a four-fold difference in risk adjusted costs** — in other words, similar care costs four times as much in the most expensive hospitals as in the least expensive hospitals (based upon 29 hospitals in south-central Wisconsin, 2006 data).
- **What's more, cost and quality are not correlated.** The most expensive Wisconsin hospitals don't necessarily have the best outcomes.

The public simply has a right and a need to know this information.

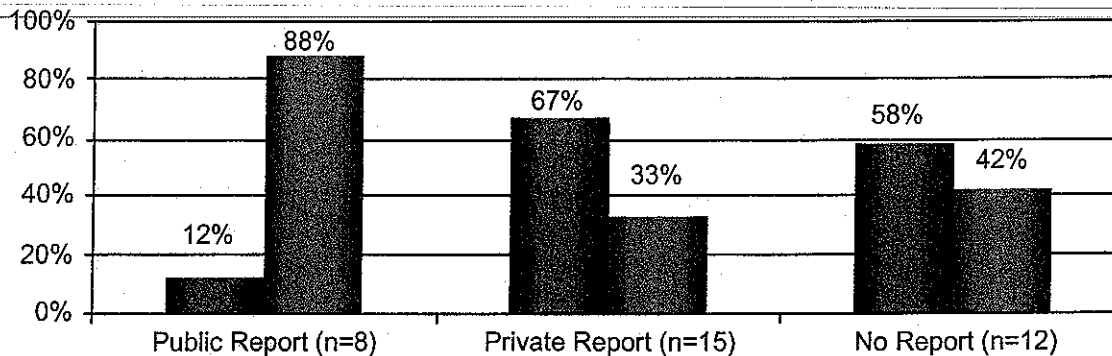
Public disclosure also creates a powerful incentive for providers to improve the care they deliver. In 2003, researchers from the University of Oregon completed a study on Wisconsin hospitals using The Alliance's *QualityCounts* report, which for the purposes of the study was widely distributed to the public and the press. *QualityCounts* included obstetrical performance data specific to 24 Wisconsin hospitals. Researchers gave another group of Wisconsin hospitals a private performance report, while a control group of hospitals received no quality data.

The Alliance is an employer-owned, not-for-profit cooperative that pools the purchasing power of participating employers and helps them manage the total cost of ensuring the health and well-being of their workforces. Based in Madison, Wis., The Alliance serves more than 160 member employers that provide coverage to more than 83,000 employees and dependents.

A follow-up study two years later examined the long-term impact on these same hospitals, paying special attention to those that performed poorly in the first study. Researchers found that improvements for publicly-reported hospitals were significantly greater than for hospitals that received private or no reports.

### Changes in Performance Among Hospitals with 'Worse Than Expected' Obstetrical Scores

■ Performance Unchanged in Post-Report Period   ■ Performance Improved in Post-Report Period



Hibbard JH, Stockard J, Tusler M, Health Affairs, Jul-Aug 2005;24(4):1150-60

### Specifically, AB 729

We applaud the steps being taken to make costs more transparent to consumers. I would offer the following suggestions to improve AB 729:

1. **Establish a system to enable consumers to compare the cost of procedures plus related ancillary care.** This system should leverage the unique roles of both providers and insurers in determining what consumers will pay for services.
  - **Providers are in the best position to estimate what care will be required**, including procedures as well as ancillary services like radiology and pathology. They are also in the best position to provide information on how this care will be billed (including the detailed CPT codes that would be used).
  - **Insurers are in the best position to estimate what the actual cost of care will be**, considering the influences of both contractually negotiated rates as well as benefit plan design. Insurers would then summarize this information to give consumers a comprehensive estimate of their likely costs. This information would be both meaningful to consumers while protecting the required confidentiality of reimbursement terms in contracts between insurers and providers.
2. **Provide a centralized, Web-based location for information.** Making this a Web-based source of information has benefits to both consumers and providers. Web-based information enables the comparison of costs across providers — an important facilitator of creating more value-conscious consumers. In addition, making this information Web-based would create the capacity for providers to update their information in a secure, on line environment. The net result will be information that is more current and more accessible to consumers.
3. **Make the information consumer-friendly** — both what gets reported and how it gets reported. Publishing the range of charges and reimbursements by payor is interesting, educational and helpful from a public policy perspective, but I worry this will confuse and frustrate consumers. If the goal is to create a consumer decision-support tool, then knowing the total cost (employer and employee portion) and the specific employee portion would be the most helpful and straight forward. Care should be taken to present this information in a format that is easy to read and understand, and as free of jargon as possible.
4. **Include physician groups of three or less.** We believe there are benefits to consumers as well as small group practices and solo practitioners by including all physicians in this effort. Consumers have a right and need to know about the costs of care from all physicians. Moreover, if information is only available for groups of three or more, it has the potential to disadvantage physicians for whom no information is available. This would be an unfortunate unintended consequence. The data requirements outlined in AB 729 represent basic information that all physician offices should be expected to share.

Thank you for allowing me to share my perspectives on AB 729. It is a solid step forward to create a more rational and affordable health care system for Wisconsin residents.

## Medical Society of Milwaukee County (MSMC)

### Position Statement on Health Care Costs

#### **BACKGROUND**

Based on 3 studies, recently published newspaper reports have claimed that the health care costs in Milwaukee are 55% higher than in comparable cities. These studies point to physician reimbursement as a factor in the higher cost of health care in the Southeastern Wisconsin area, while failing to take into consideration other factors that significantly raise the cost of health care. The studies include:

- The William H. Mercer Study of Health Care Costs in the Milwaukee Area released in 2002 stated that health care costs were 55% higher in the Milwaukee area and that this increase could, in part, be attributed to physician fees.
- The U.S. Government Accountability Office (GAO) Report, "Milwaukee Health Care Spending Compared to Other Metropolitan Areas", preliminary results released in August, 2004. The final report "Competition and Other Factors Linked to Wide Variation in Health Care Prices" released in August, 2005.
- The Mercer Human Resource Consulting report "Study of Milwaukee Community Medical Costs", released in March 2005, reiterated the elevated health care costs in Southeastern Wisconsin.

Health care finance is a complex issue. There are many factors outside of the control of physicians that contribute to health care costs. These include advances in health care technology, patient driven costs that could be reduced by leading healthy lifestyles, pharmaceutical advertising and costs, end of life care and an aging population with higher health care utilization rates. The payer/reimbursement system and the competitive health care environment in this part of the state are also significant factors in the cost of health care.

#### **POSITION**

The MSMC believes that physicians can participate in decreasing the cost of health care without compromising the quality. While there are many factors outside of the control of physicians, area physicians should work with other participants in the health care community to control costs.

MSMC encourages physicians to:

- Educate themselves about costs
- Understand the consequences of what they order
- Promote efficient use of technology
- Emphasize healthy lifestyles by patients
- Stress early screening
- Use practice guidelines and practice evidence based medicine
- Promote advanced directives for everyone, not just the elderly
- Educate patients on costs
- Prescribe generic drugs whenever possible
- Not accept gifts from pharmaceutical companies
- Teach medical students and residents about costs



- Avoid practicing defensive medicine
- Avoid using too many consultants
- Check patients medical records to avoid duplicate or repetitive tests
- Talk to other physicians treating the patient about getting results of tests they have ordered
- Be more politically active

***MSMC RECOMMENDATIONS:***

MSMC makes the following recommendations:

- All citizens and residents of Milwaukee County must have equitable access to essential health care.
- Every patient should have a personal physician to coordinate and provide more cost effective care.
- Physicians in Milwaukee County need to be active participants in the discussions on health care costs.
- The discussion on health care costs is not just about quality or cost, but also about value.
- The public, as well as their health care providers, need to take responsibility for health care costs.
- Physicians need appropriate information to assist their patients in making health care decisions related to cost.
- Medicare and Medicaid reimbursement for Milwaukee County physicians needs to be appropriate in meeting the costs associated with the care of patients.
- Physicians are willing to participate in quality measurement activities that will improve health care delivery.
- Health care organizations need to develop an environment where people will come forward to talk about and solve errors.
- There is a need to standardize electronic information in an effort to streamline the care of patients.

**Approved by the MSMC Board of Directors, September 6, 2005**

COALITION FOR

# Sensible Health Care Solutions



## WE BELIEVE:

- 1) All Wisconsinites deserve a health care system that delivers both world-class care and financial security.
- 2) Wisconsinites deserve a system that is accessible, affordable and fair.
- 3) Wisconsinites deserve a system that boosts the state's economy, attracts new business and strengthens existing enterprises.
- 4) All Wisconsinites share responsibility to be better stewards of their own health.
- 5) Healthcare is a national challenge; as a state, we can only do so much. But what we *can* do, we *should* do.

## WHO WE ARE

The Coalition for Sensible Health Care Solutions is made up of four major insurance agent associations in Wisconsin, representing health insurance counselors, agents, brokers and other professionals. The four associations include the Independent Insurance Agents of Wisconsin (IIAW), the National Association of Insurance and Financial Advisors - Wisconsin (NAIFA), the Professional Insurance Agents of Wisconsin (PIA) and the Wisconsin Association of Health Underwriters (WAHU). We occupy a unique place in the health care coverage system, connecting Wisconsinites with the best possible coverage from health insurance companies. We educate consumers on choices, help them select the most appropriate plans for their specific needs and serve as their advocate if problems arise. *We see firsthand what's working and what's not.*

## THIS DOCUMENT

As Wisconsinites and as insurance professionals, we want a stronger, more effective health care coverage system. We applaud governmental leaders and others who have put forward comprehensive reform proposals – even when we disagree with their suggested methods. This document provides a yardstick against which any proposal can be measured and offers a reform package we believe is a “sensible solution” for the health care challenges facing Wisconsin.



608/244-3131



WISCONSIN ASSOCIATION OF  
HEALTH UNDERWRITERS  
*Wisconsin's Benefit Specialists*

608/268-0200



PROFESSIONAL  
INSURANCE AGENTS  
OF WISCONSIN, INC.

608/274-8188



608/256-4429

## **OUR PRINCIPLES**

- ▶ We believe reform must address and reduce skyrocketing medical care costs.
- ▶ We believe any reform package must ensure that all Wisconsinites have access to basic health care coverage.
- ▶ We believe reform must neither bankrupt families nor bankrupt the state.
- ▶ We believe reform must provide the state's diverse population with equally diverse health care coverage choices.
- ▶ We believe reform must promote ongoing and long-term innovation and experimentation that enables the state's health care system to adapt over time to the evolving needs of its citizens.
- ▶ We believe reform must provide consumers access to meaningful information and expert advice and counseling from licensed and trained professionals.

## **PRIVATE MARKET SOLUTIONS OVER GOVERNMENT PROGRAMS**

Unfortunately, when the discussion of health care surfaces it is usually couched in the context of the plight of the uninsured and the supposed "excess administrative cost" of our private health care system. According to the Federal Government's Center for Medicare and Medicaid Services (CMS), the actual administrative cost of private insurance is 12 cents on every dollar. And, much is being done to increase efficiency in this system. Therefore, we advocate that the focus of the debate and solutions should be centered on the remaining 88 cents of the dollar or the real problem: **The Cost of Health Care Services**. As professional insurance advisors we are advocating that the state move forward with the following Sensible Solutions. These steps will help drive cost of care down, thereby improving access for all:

- ✓ **Returning to the Fundamental Principal of Insurance – Protection against catastrophic losses.**
- ✓ **Covering the Uninsured – Reinvent BadgerCare**
- ✓ **Expand Wellness Programs - get to the root of 50% of our costs**
- ✓ **Health Information Technology Expansion - become more efficient, safer**
- ✓ **Health Care Transparency – full disclosure of prices so consumers can compare**
- ✓ **Insurance/Market Reforms – Let small employers facilitate employee payments for insurance**

## **SPECIFIC PROPOSALS TO MOVE FORWARD WITH SENSIBLE HEALTH CARE REFORM**

### **1) Returning to the Fundamental Principal of Insurance – Protection against catastrophic losses**

The basic principal behind insurance is to provide indemnification against large unexpected financial losses. Unfortunately, health insurance has evolved in the wrong direction. Rather than providing protection from unexpected large medical expenses most insurance today only requires the participant to be responsible for small co-payments for their medical or prescription expenses. According to the CATO Institute "As the percentage of the patient's share of medical bills goes down, the cost of that care increases dramatically because patients no longer care what the total cost is". The private sector is already moving back to comprehensive major medical plans and we must move to do the same in the public sector and allow for the for the same tax deduction to Health Savings Accounts on a state level that is already afforded on a federal level.

Support AB-47/SB18 - state deductibility of Health Savings Accounts

Support AB-110/SB-46 - availability of major medical plans to public sector employees

Support 07-08 LRB 3991 - expanding Section 125 plans to make premiums more affordable

### **2) Covering the Uninsured – Reinvent BadgerCare to end cost shifting**

Wisconsin is fortunate to have 90% of their population covered by insurance. However, we must be sensitive to the needs of the other 10% that are uninsured, especially those who truly cannot afford insurance and who have made a conscious effort to acquire it. Currently, the government safety nets are Medicaid and BadgerCare. With reimbursement rates to providers of roughly 40 cents on a dollar, health care providers must cost shift this shortfall to the private sector. *Each time these government programs are expanded, the law of unintended consequences shifts greater financial cost to the private market causing an increase in the uninsured population.* While the goal of BadgerCare is to assist the working poor by providing health care coverage until they no longer require assistance, government should look to work with private employers who offer their employees health coverage to access their plan. The state should create individual Health Coverage Accounts (HCA) so funds would be available to have the BadgerCare recipient be enrolled and insured through his or her employer's health program. The HCA would provide the funds to pay the normal employee premium contribution required by the sponsoring employer.

Enroll BadgerCare recipients in their employer's group insurance and fund the employee portion of their premium through a Health Coverage Account using BadgerCare funding. Where no group coverage exists, fund the HCA and allow the employee to purchase individual coverage. This system would eliminate cost shifting from BadgerCare to the private sector as BadgerCare enrollees would be in the same "pool" as others in the general marketplace.

### **3) Expand Wellness Programs – promote and give incentives**

Robert Kelly's famous cartoon character Pogo once stated; "We have met the enemy and they is us." This most certainly can be applied to health care consumers as research continues to illustrate that over 50 percent of health care costs are attributable to individual lifestyle and behavior choices. All Wisconsin citizens need to take responsibility for their lifestyle choices that negatively impact their

health. We believe lawmakers should do everything possible to enable employers to provide benefit incentives and premium flexibility that encourage healthy lifestyle choices of employees and their dependents.

Support incentives for employers to offer wellness plans;

Support SB-147 to provide wellness programming to Medicaid enrollees and state employees

#### **4) Health Information Technology-give incentives**

According to the Center for Disease Control and Prevention's October 26, 2007 Advance Data report, only 12% of practicing physicians nationwide use a comprehensive electronic medical record (EMR) system for tracking their patients. Computerized orders for prescriptions, computerized orders for tests and reporting of test results and clinical notes would provide safer and more efficient health care delivery to Wisconsin consumers. The legislature can encourage providers in this process by providing tax incentives for EMR expansion.

Support AB-111/SB-45 to provide incentives for expansion of Health Information Technology

#### **5) Health Care Transparency – Full Disclosure of Prices**

Medical care is perhaps the only service American consumers regularly purchase without having any knowledge of the actual price. As consumers continue to migrate into comprehensive major medical plans that require their financial participation, they of course are now asking the fundamental question, "What will this cost me?" The State should set reasonable timelines for the health care community to come forward and begin sharing timely, what is to be charged.

Support SB-337/07-08 LRB3900 to encourage publication of health care costs

#### **6) Insurance/Market Reforms - let small employers facilitate the payment of premiums through payroll**

Insurance market reforms can make health care coverage more accessible and affordable. Many small employers do not currently sponsor a group health insurance program for their employees simply because they cannot commit to the present requirement of paying 50% of the cost of the plan for their employees. Often these are new employers just starting out in their entrepreneur enterprise. Although they cannot afford to pay for the employees' health insurance they are often willing to assist the employee in purchasing their own personal policy and allow for premium payments to be handled through payroll deduction. However, present law prohibits this option. That is why we are advocating for List Bill that would allow for payroll deduction of personal health premiums through small employers not able to fully sponsor a group health program.

Support 07-08 LRB-3056 to repeal current law that prohibits small employers from letting their employees pay premiums through the company payroll system.



**Date: February 12, 2008**

**To: Committee on Small Business**

**From: Tod Zacharias, Humana VP**

**Re: Assembly Bill 729—HealthCare Price Disclosure**

My name is Tod Zacharias, Vice President of Finance Planning and Business Development. I am here today to testify on behalf of Humana in support of AB 729.

Legislation that promotes price disclosure must contain three elements to translate into actionable information for consumers

- We support requirements for providers to make their patients aware that price information is available by posting notices.
- We support the language allowing carriers to use Current Procedural Terminology or CPT codes. This is a uniform, medical language established by the medical community that is used by providers to bill services and by carriers processing claims. Accurate price estimates can only occur if all parties involved are communicating to each other with the same language.
- Thirdly, we support the no-dollar threshold on pre-service estimates. This will ensure all patients, receiving any type of service, have equal access to price information.

Informed consumers are a vital part of any long-term solution to today's health care access and affordability issues. Studies have shown that consumers want

more control over their health care, yet there is little information available to assist them in making choices.

Consumers need to be aware of estimated charges and billing policies **before** services are provided. In Wisconsin, we have already begun building the infrastructure necessary to provide this much needed information to consumers. Paul Ginsberg, president of the Center for Studying Health System Change, Washington, D.C., says Wisconsin's health care and business leaders are out in front on a lot of quality and transparency issues, adding that they aren't "bucking the trends, they are running with the trends."<sup>1</sup> Through the efforts of the Wisconsin Health Information Organization (WHIO), the Wisconsin Hospital Association (WHA), and the Department of Health and Family Services Collaborative, Wisconsin is taking the lead in providing our residents with cost and quality information. However, there is a piece missing. Wisconsin consumers are not provided an estimate of anticipated health care charges prior to the point of service.

Currently at Humana, we provide information to our members through our web-based transparency tool. The data is based on the following criteria:

- **Effectiveness Data** (Quality) based on Evidence-Based Medicine
- **Efficiency Data** (Cost) based on Episodes of Care, which include the entire course of treatment for specific conditions
- **Episode Treatment Groupers** (ETGs) to measure longitudinal physician efficiency (which is the industry standard)

We collaborate with our providers by reviewing efficiency and process of care reports before they are made available to members and maintaining an ongoing dialogue.

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<sup>1</sup> Haugh, Richard "Wisconsin Ahead of the Pack". Hospitals & Health Networks

**Lack of information creates market inefficiency.**

One essential component of an efficient market is the free flow of information, so buyers and sellers know the value of what's being exchanged. In health care, consumers make their decisions in the dark. Their only access to information is from the sellers. The health care market does not function efficiently because information is not being supplied.

Once consumers are empowered with the tools and information they need to make informed decisions, they will drive the health care market to become a more efficient system for everyone – with increased safety, higher quality care and lower prices.

**Why is price disclosure so important?**

We know Wisconsinites are eager for actionable information that will empower them to take control of their health care decisions. Disclosure of health care prices impacts every resident – whether insured or uninsured. It impacts the amount consumers owe for out-of-pocket expenses and for treatment by non-network providers. It impacts the cost of health insurance coverage for employers. And it certainly impacts the uninsured in Wisconsin that are responsible for 100 percent of their healthcare charges.

**We need to put consumers in charge of the health system.**

Giving people a fair shake in the healthcare system starts with giving them the facts – what is known and what isn't known about their treatment choices, what things cost and how the system works.

We believe price disclosure will become a valuable tool for doctors as well. This information will allow patients and their doctors to have better informed



discussions about treatment options and the costs associated with those options so they can reach the best decision about where to seek care.

We believe there is a need for transparency. We support the legislation before the committee today. An informed consumer is a wise consumer.

Thank you.

Tod Zacharias  
Vice President  
Humana

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## MARSHFIELD CLINIC®

February 12, 2008

Rep. Terry Moulton, Chair, and Members of the  
Assembly Committee on Small Business  
Wisconsin State Capitol  
Madison, WI

Dear Rep. Moulton and Members of the Committee:

Scheduling conflicts unfortunately do not allow the appropriate staff within the Marshfield Clinic system regarding cost transparency to testify in person, however we would like to provide the following written input on **AB 729** for information only.

Marshfield Clinic is the largest multi-specialty group medical practice in the state. We are a physician-led, not owned, 501(c)(3) not-for-profit integrated outpatient health care system, with 41 clinics and facilities in a 20-county primary service area in North Central Wisconsin. We have almost 800 physicians and approximately 6,500 additional employees in our system who provide high-quality primary, secondary, and tertiary health care to all who access our system regardless of payer source, engage in basic science and clinical research to improve patients' lives, and train the next generation of physicians through undergraduate and graduate medical education.

Marshfield Clinic supports transparency of health care information as a tool to control health care costs. As a founding member of the Wisconsin Collaborative for Health Care Quality, the Clinic is committed to the voluntary reporting of health outcomes to improve quality and safety of patient care and ultimately reduce the cost of health care. Also, Marshfield Clinic, through our Centers for Medicaid/Medicare Services Physician Group Practice Demonstration Project, is improving the quality of care for patients with chronic diseases while reducing costs by reducing preventable hospitalizations.

Marshfield Clinic also supports the principle of transparency of health care costs to allow patients access to the prices of health care services, and recognizes and appreciates the Wisconsin Legislature's commitment to enacting legislation that will uniformly get health care price information to patients/consumers. Currently, Marshfield Clinic, through our Patient Assistant Centers, already works one-on-one with patients to determine the estimated cost of elective surgical procedures, diagnostic tests, and comprehensive medical examinations. Arriving at an estimated cost based on insurance coverage (when known) and approximate co-pays and deductibles, patients will know what they are responsible for. Through our Patient Assistant Centers, we also attempt to enroll patients in the appropriate medical assistance programs when insurance coverage is not immediately present.

Assembly Health Committee  
February 12, 2008  
Page Two

Given our commitment to access to important health care information, we appreciate the tremendous amount of thoughtful work that has gone into AB 729. However, we do have some concerns regarding aspects of the proposal, particularly in the area of the definition of the 25 conditions, which specialties must report and how to best determine cost.

Marshfield Clinic suggests using the median cost for services for which the provider is responsible as identified by the Wisconsin Collaborative for Health Care Quality. Marshfield Clinic also suggests identifying a set number of services provided by a health care organization as a first measure and then roll-out individual provider services by volume and price as a next phase. Given that government already pays less than the cost to providing health care for the Medical Assistance and Badger Care population and insurers negotiate the most favorable discounts, to ask provider groups to ramp up information systems to capture an extraordinary amount of new information and publish it will drive up the overall cost of health care. A phase-in approach will begin the process without overwhelming the system.

We understand the compressed schedule of the legislative session requires the need to move as quickly as possible to explore this very important issue, but it appears there may be more work to be done and more issues to consider re. AB 729 before it is ready for further legislative action. Along those lines, we very much appreciate the Chair and Committee's willingness to hold a public hearing on the proposal to try to vet those issues and Marshfield Clinic stands ready to be a resource for the Chair and Committee as this proposal and others continue to evolve. We look forward to continuing to work with you all on this very important issue.

Sincerely,

Robert E Phillips M.D, FACP  
Medical Director Government Relations  
Marshfield Clinic

cc.: Rep. Steve Wieckert